

Message Text

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ACTION NEA-10

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TAGS: ECON, ELAB, IS
SUBJECT: ISRAEL WAGE NEGOTIATIONS: WHAT KIND OF SETTLEMENT?

REFS: (A) TEL AVIV 3193, (B) TEL AVIV 3303

1.SUMMARY: FROM CONVERSATIONS WITH ISRAELI CIVIL SERVICE COMMISSION, FINANCE MINISTRY, MANUFACTURERS ASSOCIATION AND HISTADRUT SOURCES, IT APPEARS THAT MOST PLAYERS IN THE WAGE BARGAINING ARE NOW CLOSE TO AGREEMENT ON THE SIZE OF THE LIKELY SETTLEMENTS TO BE REACHED BY THE GOI AND THE MANUFACTURERS ASSOCIATION WITH THE HISTADRUT. HOWEVER, THE HISTADRUT PROBABLY WILL NOT BE ABLE TO SELL THE AGREEMENT TO ALL OF ITS UNIONS, AND HAGGLING OVER SPECIAL CASES AND THE TIMING OF THE AGREEMENTS IS LIKELY TO DELAY AT LEAST UNTIL JUNE THE SIGNING OF THE NEW WAGE AGREEMENTS. IN THIS MESSAGE WE EXPLORE SOME OF THE APPROACHES USED BY THE VARIOUS NEGOTIATING TEAMS AND THE BASES FOR THEIR WAGE AND CLAIMS AND OFFERS. END SUMMARY.

2. THE PRESENT GAP BETWEEN THE PARTIES TO THE LABOR NEGOTIATIONS CONCERNING A GENERAL WAGE SETTLEMENT IS
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NOT GREAT; AND, IF TIS WERE THE ONLY FACTOR INVOLVED, AGREEMENT COULD BE REACHED IN SHORT ORDER. HOWEVER, THE LACK OF HISTADRUT DISCIPLINE ON THE PUBLIC SECTOR UNIONS MAKES IT LIKELY THAT THE CURRENT SPATE OF LABOR UNREST AND WILDCAT STRIKES WILL CONTINUE FOR SEVERAL MORE MONTHS.

3. THE OUTLINES OF A POSSIBLE SETTLEMENT ARE BECOMING CLEAR. THE CIVIL SERVICE COMMISSION, NEGOTIATING ON BEHALF OF THE GOI IN THE PUBLIC SECTOR, AND THE HISTADRUT COULD AGREE ON A 5 TO 10 PERCENT RAISE IN BASIC WAGES AND A CONTINUING PAYMENT OF COST-OF-LIVING ALLOWANCES (COLA) AMOUNTING TO SEVENTY PERCENT OF THE CPI RISE. IN THE PRIVATE SECTOR, THE MANUFACTURERS ASSOCIATION, THE EMPLOYERS, NEGOTIATING AGENT, AND THE HISTADRUT ARE CLOSE TO AN AGREEMENT FOR 10 TO 15 PERCENT BASIC WAGE HIKES, WITH SEPARATE ARRANGEMENTS FOR HIGHER OR LOWER THAN AVERAGE RAISES TO BE NEGOTIATED BY EACH INDUSTRY DEPENDING ON PRODUCTIVITY LEVELS.

4. THE MAJOR COMPLICATING FACTOR AT THIS POINT IS THE UNEASY RELATIONSHIP BETWEEN THE HISTADRUT AND SOME OF ITS MEMBER UNIONS IN THE PUBLIC SECTOR. PUBLIC SECTOR UNIONS SUCH AS THE POSTAL WORKERS WILL NOT FOLLOW THE HISTADRUT LINE IN NEGOTIATIONS. THEY ARE CALLING FOR EQUAL TREATMENT WITH AIRPORT WORKERS AND FINANCE MINISTRY REVENUE DEPARTMENT EMPLOYEES AND ARE DEMANDING RAISES OF 50 PERCENT AND MORE IN BASIC WAGES OVER AND ABOVE THE COLA PAYMENTS. THE PROSPECT FOR A QUICK SETTLEMENT WITH THESE UNIONS IS NOT GOOD; THE POSTAL WORKERS AND HOSPITAL EMPLOYEES ARE LIKELY TO CAUSE DISRUPTIONS AND, OF COURSE, THE LIMITED OFFICIAL USE

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SEAMEN'S STRIKE CONTINUES. ISRAELI CIVIL SERVICE COMMISSION SOURCES HAVE TOLD US THAT DIFFICULT NEGOTIATIONS WITH THESE UNIONS ARE LIKELY TO DRAG ON AND A GOVERNMENT-WIDE AGREEMENT WILL NOT BE SIGNED BEFORE JUNE. THE PRIVATE SECTOR NEGOTIATORS ARE STALLING, MEANWHILE, WAITING FOR THE PUBLIC SECTOR NEGOTIATIONS TO BE CONCLUDED FIRST. THEY FEAR THAT OTHERWISE THE PUBLIC SECTOR UNIONS WOULD WIN A SETTLEMENT CLOSE TO THAT IN THE PRIVATE SECTOR AND THE PRIVATE SECTOR EMPLOYERS WOULD THEN HAVE TO OFFER ADDITIONAL BENEFITS TO KEEP THEIR WORKERS HAPPY -- A PROCESS THE EMPLOYERS FEEL THEY CAN ILL AFFORD.

5. INCOMES POLICY AND MACROECONOMIC IMPLICATIONS. THE MOST RECENT GOI-HISTADRUT STUDY SHOWS THAT REAL WAGES (INCLUDING RETROACTIVE PAY) GREW 16 PERCENT IN THE PUBLIC SECTOR IN 1977, AND 5 TO 10 PERCENT IN MOST OF THE PRIVATE SECTOR WITH A SLIGHTLY HIGHER RATE IN SOME EXPORT INDUSTRIES. THE GOI'S 1978 WAGE POLICY PROVIDES FOR A WIDENING OF THE WAGE GAP BETWEEN PRIVATE AND PUBLIC SECTORS (WHICH NARROWED TO 7 PERCENT IN 1977) AS AN INCENTIVE FOR A SHIFT IN

LABOR SUPPLY TO THE EXPORT SECTOR. HAVING REDONE THEIR ARITHMETIC IN LIGHT OF THE PERFORMANCE OF THE ECONOMY IN RECENT MONTHS, FINANCE MINISTRY SOURCES CONCLUDE THAT THE SETTLEMENT WHICH THE MAIN PARTIES ARE CLOSE TO REACHING WILL BE CONSISTENT WITH GOI GOALS. THE PREDICTED 4 PERCENT REAL GROWTH RATE IN THE ECONOMY PROVIDES FOR SMALL GROWTH IN PRIVATE AND PUBLIC CONSUMPTION, LITTLE CHANGE IN INVESTMENT, AND A 10 PERCENT GROWTH IN EXPORTS. LARGER WAGE INCREASES WOULD AUSE HIGHER PRIVATE AND PUBLIC CONSUMPTION, LOWER INVESTMENT, AND LOWER EXPORTS.

6. TO SUM UP, IT APPEARS THAT, WHILE ON TECHNICAL GROUNDS A WAGE AGREEMENT COULD BE REACHED IN SHORT LIMITED OFFICIAL USE

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ORDER, THERE WILL BE CONSIDERABLE LABOR STRIFE OVER THE NEXT FEW MONTHS. THE ABILITY OF THE HISTADRUT TO IMPOSE LABOR DISCIPLINE AND THE GOI TO HOLD ITS POSITION WILL BE THE MAJOR DETERMINANTS OF ISRAEL'S INCOMES POLICY AND DIRECTION OF ECONOMIC GROWTH FOR THE NEXT YEAR.
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